

NHID E-NEWS

Issue 2

July 2004

COMMENTS FROM THE COMMISSIONER'S OFFICE

The issue of Federal v. State regulation of the insurance industry has been a topic of debate since the mid 1800's with varying degrees of interest by Federal legislators since that time. However, more recently interest at the Federal level has peaked. This has occurred in some measure because of the active lobbying efforts by certain trade associations seeking uniform national regulatory standards, price deregulation, an optional Federal Charter and a single voice in Washington, D.C. The NAIC has been quick to respond to Congress and is actively working with the House Financial Services Committee and Chairman Oxley. On June 12, 2004 the NAIC released to Congress its "Roadmap to Modernize Regulatory Standards". The roadmap focuses on the establishment of National Standards and outlines 15 areas where they could be effectively implemented. Much of what is covered by the roadmap is what was covered by Congressman Oxley in his presentation to the nation's Commissioners during the March 2004, NAIC meeting. The goal of the roadmap was to provide Congress with a well thought out plan for those areas that lend themselves to uniformity and regulatory modernization and to point out those areas where diversity in regulation works best.



Commissioner Roger A. Sevigny

In my opinion the NAIC acted reasonably in creating this roadmap, and I support it. I firmly believe in the strength of state regulation, and the roadmap provides an outline of sensible national standards while preserving state regulation of insurance. The state regulatory system is far better equipped to respond to local concerns, address consumer needs, respond to state laws (tort laws, contract laws, etc.) than would a federally regulated system with little or no local presence. I have a great deal of interest in this matter, and will continue to work with the NAIC as well as our representatives in Congress.

To access the roadmap simply click on the following link: http://www.naic.org/docs/naic_framework.pdf

Commissioner of Insurance, Roger A. Sevigny

Inside this issue:

2004 Legislative Highlights	2
Rule Making	2
Bulletins	2
Enforcement News	3 & 4
Company Information	5
Fraud News & The move	6
Homeowner Deductibles	7
Generosity Rewarded	7
Arrivals & Departures	7

2004 LEGISLATION HIGHLIGHTS

NHID E-NEWS

PAGE 2

In 2004, the Department proposed legislation addressing a national initiative and legislation updating existing state insurance laws. The Department also participated in the legislative process on insurance-related proposals offered by others. Overall, it was a successful Session that saw the passage of:

Chapter 196 (SB 366) Interstate Insurance Product Compact is a national initiative wherein individual states have come together as a joint commission creating a system of uniform standards enabling quick regulatory decisions on life insurance product filings using a single filing point and single review process.

Chapter 197 (SB 367) New Hampshire Insurance Guaranty Association of 2004

is an updated complement to existing RSA 404-B. The existing guaranty association will implement the two laws so that RSA 404-B will continue to control guaranty operations for insolvencies that occurred before the effective date of the new law, and RSA 404-H will control guaranty operations for insolvencies occurring on or after the effective date of this new law.

Chapter 187 (SB 371) The Department's technical bill. While this legislation amended numerous insurance statutes, some of the more significant amendments include those to RSA 409-A:4 establishing a calculation method for setting minimum nonforfeiture amounts for annuities; RSA 420-G:5 enabling the optional use of standardized health

statements for small groups; RSA 420-G:12-a ensuring access to health plan loss information by large groups; and RSA 400-A renaming the Assistant Commissioner position to "Director of Operations".

Chapter 84 (HB 1311) A bill establishing a committee to study decreasing the insurance premium tax..

For additional information refer to the State of New Hampshire's legislative website: www.gencourt.state.nh.us or www.nh.gov and click on "legislative branch".

RULE MAKING—ADOPTED 2004

The New Hampshire Insurance Department adopted the following Rules:

Ins 1400 Automobile Insurance

This new version of Ins 1400 clearly delineates between the provisions governing the voluntary market and the provisions governing the New Hampshire automobile reinsurance facility.

Adopted: 01/28/04 Effective: 07/01/04

Ins 1905 Minimum Standards for Medicare Supplement Policies

The purpose of this rule is to provide for the reasonable standardization of coverage and simplification of terms and benefits of Medicare supplement policies. Adopted: 02/26/04 Effective: 03/01/04

Ins 3300 Insurance Scores

This rule specifies the conditions that are required to be met before insurers can use insurance scores for underwriting or rating for private passenger automobile and homeowners insurance.

Adopted: 02/24/04 Effective: 07/01/04

Ins 3600 Long-Term Care Insurance

The purpose of this rule is to implement the provisions of RSA 415-D applying to all long-term care insurance policies by promoting availability, facilitating public understanding and providing protection from unfair and deceptive sales practices. Adopted: 02/05/04 Effective: 05/01/04

For additional information refer to the NHID Web site: www.nh.gov/insurance

BULLETINS ISSUED—2004

Following are summaries of bulletins issued during the first half of 2004. For the full text refer to the Department's Web site: www.nh.gov/insurance

Bulletin INS 04-003-AB: Annual Complaint Log

Reminds companies of their annual complaint log filing obligations under RSA 417:4 XVII (c). Issued: January 14, 2004

Bulletin INS 04-004-AB: Prosthetic Device Interpretation-RSA 415:18-n and RSA 415:6-j Clarifies that artificial devices used to replace fingers are included in the definition of "prosthetic device". Issued: February 6, 2004

Bulletin INS 04-002-AB: Medical Necessity

Addresses the criteria the Department

will use in determining whether to approve a health carrier's definition of medical necessity, and policy provisions addressing medical necessity. Issued February 6, 2004

Bulletin INS 04-007-AB: Supplement Reporting Bulletin This bulletin replaces INS 02-001-AB issued in 2002, concerning changes to the annual statement financial reporting requirements. Issued February 24, 2004

Bulletin INS 03-051-AB: Coordination of Group Health Benefits and MedPay Discusses proposed changes to Insurance Department rule Ins 1904, regarding a right to recovery when an individual is covered by both MedPay and health insurance. Issued March 9, 2004

Bulletin INS 04-022-AB:

Implementation of Revisions of the Annuity Nonforfeiture Law

Describes how a 2004 amendment to New Hampshire's insurance laws affects the interest rate used for determining the minimum nonforfeiture amount of flexible premium and other annuity contracts. Issued June 18, 2004

Informational Notice RE: Supplemental Reporting

The Department is contemplating revisions to Bulletin INS 04-007-AB and seeks comments prior to the promulgation of the revised bulletin. Issued June 8, 2004 Comment deadline ended June 24, 2004.

ENFORCEMENT NEWS

Following are NHID administrative and enforcement actions concluded during the first half of 2004.

PRODUCER ACTIONS

RE: Raymond Douville

Consent Order and Agreement

Docket No. INS NO. 03-046-EP

Several allegations of insureds paying for policy coverage they never received.

Order and Agreement:

November 12, 2003

Action and Penalty:

Surrender of Producer license with prejudice.

RE: Harlan Karr

Consent Order and Agreement

Docket No. INS NO. 03-054-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final disposition.

Order and Agreement:

November 23, 2003

Action and Penalty:

\$1000.00 fine.

RE: Frederick Steves

Consent Order and Agreement

Docket No. INS NO. 03-053-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final disposition.

Order and Agreement:

December 10, 2003

Action and Penalty:

\$250.00 fine.

RE: Robert Elster

Consent Order and Agreement

Docket No. INS NO. 03-050-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final disposition.

Order and Agreement:

December 15, 2003

Action and Penalty:

\$250.00 fine.

RE: George Palmer

Consent Order and Agreement

Docket No. INS NO. 03-027-EP

Conviction of C and D class felonies of criminal threatening, criminal mischief and assault.

Order and Agreement:

December 22, 2003

Action and Penalty:

Revocation of Producer license.

RE: Debra Brock

Consent Order and Agreement

Docket No. INS NO. 03-049-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final disposition.

Order and Agreement:

January 12, 2004

Action and Penalty:

\$100.00 fine.

RE: Alexander Ruch

Consent Order and Agreement

Docket No. INS NO. 03-038-EP

Unfair and deceptive trade practices and misrepresentation of terms of an insurance contract.

Order and Agreement:

January 30, 2004

Action and Penalty:

Surrender of Producer license with prejudice and a \$7500.00 fine.

RE: Capital Bonding, Vincent Smith, and James Lawlor

Consent Order and Agreement

Docket No. INS NO. 03-040-EP

Producer license applications initially denied. Investigation found incidences of using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business. Applicants appealed denial. Hearing held. Settlement after hearing.

Order and Agreement:

March 5, 2004

Action and Penalty:

Consent agreement: License issued with the following conditions: (a) all checks must be certified bank checks; (b) company must post a \$1 million performance bond; and (c) any future actions found to violate NH law, or the suspension of any license in any other state shall result in immediate revocation of the NH license without hearing.

RE: Scott Prince

Hearing

Docket No. INS NO. 03-034-EP

Sold multiple insurance policies to an elderly woman without reasonably determining whether the policies were suitable for her insurance needs or financial capability.

Order from Hearing:

March 19, 2004

Action and Penalty:

Suspension of Producer license for 1 year.

ENFORCEMENT NEWS CONT.

RE: Robert Olivier

Consent Order and Agreement

Docket No. INS NO. 04-001-EP

Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business

Order and Agreement:

January 21, 2004

Action and Penalty:

Six month suspension of Producer license.

RE: Robert Huffman

Consent Order and Agreement

Docket No. INS NO. 04-011-EP

Using fraudulent, coercive, or dishonest practices, or demonstrating incompetence, untrustworthiness or financial irresponsibility in the conduct of business

Order and Agreement:

April 1, 2004

Action and Penalty:

1 year probation of Producer license and a \$500.00 fine.

RE: Lauren Housel

Consent Order and Agreement

Docket No. INS NO. 04-016-EP

Failure to report an administrative action taken by another jurisdiction within 15 days of the final disposition

Order and Agreement:

June 7, 2004

Action and Penalty:

\$600.00 fine.

RE: Jonathan Moore

Consent Order and Agreement

Docket No. INS NO. 04-018-EP

Providing incorrect, misleading, incomplete, or materially untrue information in the license application.

Order and Agreement:

June 8, 2004

Action and Penalty:

License issued with a 1-year probation period.

RE: Gregory Curtis

Consent Order and Agreement

Docket No. INS NO. 04-019-EP

Providing incorrect, misleading, incomplete, or materially untrue information in the license application.

Order and Agreement:

June 8, 2004

Action and Penalty:

Producer license issued with a 3-year probation period.

RE: Michael Segal

Consent Order and Agreement

Docket No. INS NO. 04-010-EP

NHID action taken on denial of renewal producer license application in Alaska. Alaska action based upon federal criminal indictment. (Note: After date of NHID Order of Revocation, Producer convicted of 26 felony counts including stealing \$20 million from firm's premium trust account, mail fraud, wire fraud, making false statements, embezzlement, tax conspiracy and racketeering.)

Order and Agreement:

June 16, 2004

Action and Penalty:

Revocation of Producer license.

COMPANY ACTIONS

RE: Cigna Healthcare of New Hampshire, Inc.

Consent Order and Agreement

Docket No. INS NO. 04-012-MC

Failure to comply with "clean claims" processing requirements of RSA 420-J:8-a.

Order and Agreement dated:

May 10, 2004

Action and Penalty:

Administrative fine of \$100,000.00, company to prepare corrective action plan for approval and implementation within 240 days.

OTHER ACTIONS

RE: Alpha Directions, Inc.

Hearing

Docket No. INS NO. 04-008

Engaging in the insurance brokering and consulting without a license.

Order and Agreement

May 26, 2004

Action and Penalty:

Administrative fine of \$42,500.00.

Request for reconsideration:

Denied dated July 6, 2004.

COURT DECISIONS

NH Supreme Court - Docket No. 2003-607

Petition of Terry M. Bennett

Opinion Dated: June 21, 2004

Summary: Petitioner appealed the order of the Department's hearings officer dismissing a notice of hearing under RSA 417.

Decision: Reversed and remanded. Ruled that the Insurance Commissioner may exercise discretion granted under the law to act or not act upon the notice of hearing upon remand.

COMPANY INFORMATION

The following is a compendium of company changes that have taken place since January 1, 2004.

COMPANY NAME CHANGES:

<u>OLD NAME</u>	<u>NEW NAME</u>	<u>EFFECTIVE DATE</u>
CADILLAC MOUNTAIN INS CO	SELECTIVE INS CO OF N.E.	01/01/04
CONSECO ANNUITY ASSURANCE CO	CONSECO INSURANCE CO	03/01/04
FIDELITY NATIONAL P&C INS., INC.	FIDELITY NATIONAL P&C INS CO.	01/23/04
GE CASUALTY INS CO	AIG PREMIER INSURANCE CO	04/01/04
GE INDEMNITY INS CO	AIG INDEMNITY INS CO.	04/01/04
GE PROPERTY & CASUALTY INS CO	AIG CENTENNIAL INSURANCE CO	04/01/04
TRAVELERS CASUALTY & SURETY CO OF IL	TRAVELERS CASUALTY INS CO OF AMER	01/01/04
TRAVLERS INDEMNITY CO OF IL	TRAVELERS PROP CASUALTY CO OF AMER	01/01/04

COMPANY MERGERS:

<u>OLD NAME</u>	<u>WITH AND INTO</u>	<u>EFFECTIVE DATE</u>
CLARICA LIFE INS CO	MIDLAND NATIONAL LIFE INS CO	04/01/04
ST PAUL COS & TRAVELERS PC CORP	ST PAUL TRAVELERS	04/01/04

NEWLY LICENSED COMPANIES:

<u>COMPANY NAME</u>	<u>TYPE OF LICENSE</u>	<u>EFFECTIVE DATE</u>
FIDELITY NATIONAL TITLE INS CO	TITLE	05/21/04
HOUSING AUTHORITY PROP. INS.,	PROPERTY & CASUALTY	06/15/04
KANSAS BANKERS SURETY CO.	PROPERTY & CASUALTY	05/13/04
LEXINGTON NATIONAL INS CORP	PROPERTY & CASUALTY	04/01/04
REPUBLIC MORTGAGE INS CO OF FL	PROPERTY & CASUALTY	04/27/04

CANCELLED LICENSES:

<u>COMPANY NAME</u>	<u>TYPE OF LICENSE</u>	<u>EFFECTIVE DATE</u>
OXFORD HEALTH PLANS (NH) INC (Voluntarily cancelled)	ACCIDENT & HEALTH	05/05/04

MARKET WITHDRAWALS:

<u>COMPANY NAME</u>	<u>DISCONTINUED PRODUCT</u>	<u>EFFECTIVE DATE</u>
PROVIDENCE WASHINGTON INS CO (PC, WC, INLAND MARINE, COMMER.)	NO NEW BUSINESS OR RENEWALS	06/17/04
WORLD INSURANCE CO (Servicing existing business only remaining)	MUTUAL LIFE	01/13/04

LIQUIDATIONS:

The liquidation of The Home Insurance Company is now a year old. Respective State Guaranty Associations have been, and are continuing, to handle statutorily approved claims payments. The deadline, June 15, 2004, for filing Proofs of Claim has passed. Over the next year, determinations will be made on filed claims, based on court approved standards. Additionally, the Merrimack County Superior Court established an "arm-of-the-Court" on-site Liquidation Clerk's Office located at 286 Commercial Street, Manchester, NH 603-641-1211.

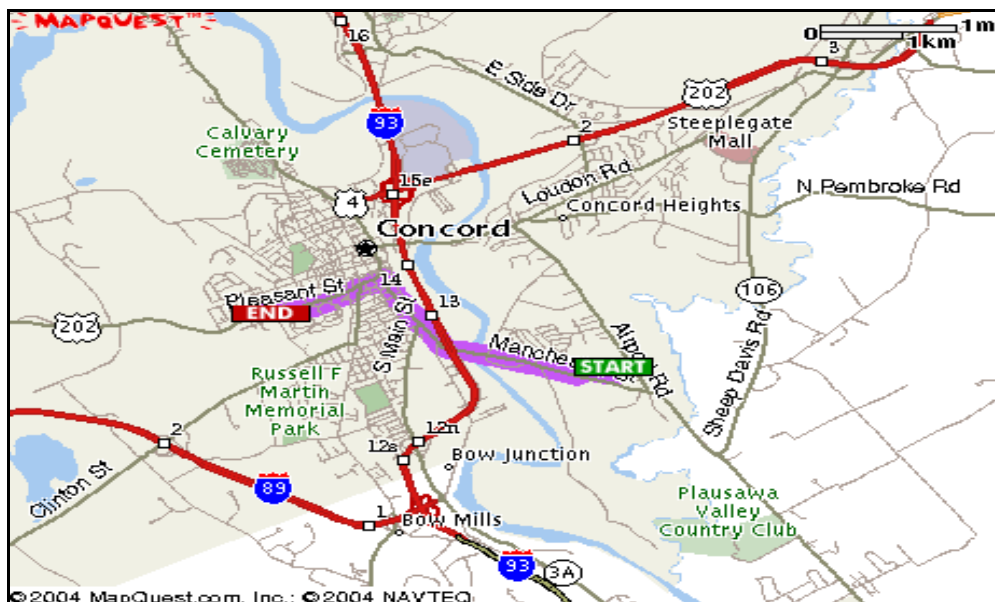
In the fiscal year 2004 (July 1, 2003 to June 30, 2004), the Fraud Unit received 256 referrals, and referred 16 cases to law enforcement for prosecution. The Unit has an outreach program designed to increase insurance fraud awareness and has made several presentations to various public groups and law enforcement agencies. Most recently, the Department's three insurance fraud investigators conducted an all-day training seminar at the New Hampshire Police Academy.

WE ARE MOVING!

As of August 16, 2004 the Insurance Department will be taking up new quarters at the recently renovated Walker Building on Fruit Street. The building will house this Department and several other state agencies including the Public Utilities Commission, Vocational Rehabilitation and the Board of Nursing. The Insurance Department will be located in the southern portion of the building where we will have our own entrance and parking lot for visitors. To reach us take Pleasant Street to Fruit Street, we will be in the first building on the left.

It may take us a few days to move into our new accommodations. Our goal is to be as efficient as possible during the move and to be up and ready to serve all our client's needs as soon as possible. We thank you in advance for your patience during our move.

Our new address will be 21 South Fruit Street, Suite #14, Concord, NH 03301



Over the last several months, the Department has received a steady flow of consumer inquiries regarding market availability for nonrenewed policies caused by 2 or more claims filed in the previous or current policy term.

In an effort to ease this problem and encourage company retention, the Department is working with carriers to expedite filing review for those offering increased deductible options. The Department suggests that all insurance carriers discuss the availability of this retention tool with their respective producers.

Recently, the Department approved filings either offering higher deductible options or, as an inducement for insured's to purchase them, an increased credit for those already in place. The carriers are Union Mutual-VT and The Andover Group. Their respective filings became effective July 1, 2004.

In addition, the Department has approved filings for "harder to place" risks. The carriers are Aegis and Balboa, and we expect to add Chubb and Foremost Insurance Companies to the list soon.

CONSUMER DIVISION GENEROSITY REWARDED WITH BREAKFAST

The NH Insurance Department's Consumer Division was recently served a delicious home cooked breakfast with all the fixings as a "thank you" for having the highest participation of all department divisions in meeting this year's United Way fundraising campaign challenge of "\$1.00 More in 2004". Employees of the division are Barbara Anderson, Consumer Services Officer, External Review; Kathleen Belanger, Division Director; Lisa Campbell, Consumer Services Program Assistant; Karen Cassin, Consumer Services Assistant LAH; Pauline Lamy, Consumer Services Specialist LAH; Carol Mac Clean, Consumer Services Assistant P&C; Colin Mitchell, Consumer Services Officer LAH; Mary Ellen Sasseville, Consumer Services Officer P&C; and John Talley Enforcement Examiner.

David Sky, LAH Actuary, and department coordinator of the United Way drive, was the "chef du jour", serving homemade blueberry pancakes and farm fresh eggs and bacon, along with fruit, juice, coffee and other delectables. David's wife Rebecca, and adorable children Jed (age 6) and Ben (age 4), served as wait staff.

Everyone had a great time, walked away with full bellies, and most importantly, benefited a very worthy cause.

DEPARTMENT ARRIVALS AND DEPARTURES

Introducing new hires. The following individuals joined the Department over the last year. We welcome them to their new "home".

Karen McCallister, Program Specialist - Administration
Barbara Richardson, Director of Operations
Mary Ellen Sasseville, P&C Consumer Services Officer

Over the last few months the following individuals have moved to greener pastures or have retired from service with the State. We want to thank them for the pleasure of their company, their hard work and dedication over the years. We also want to wish them the very best in their new endeavors.

Roger Fournier, LAH Market Conduct Examiner
Faye Grant, P&C Compliance Program Assistant
Linda Miller, P&C Market Conduct Examiner
Valerie Palmer, LAH Market Conduct Examiner



**PUBLISHED BY THE
STATE OF NEW
HAMPSHIRE
INSURANCE
DEPARTMENT**

56 Old Suncook Road
Concord, NH 03301